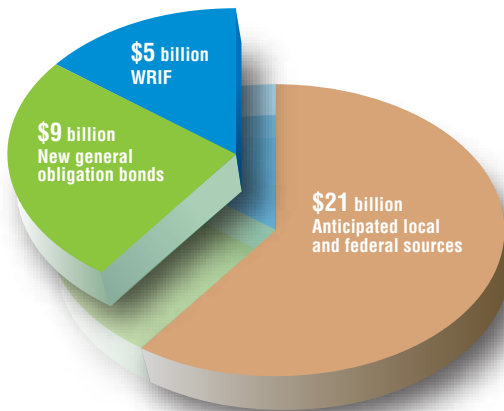


Governor Schwarzenegger's Strategic Growth Plan: An Investment Strategy to Improve Water Management & Flood Protection



Governor Schwarzenegger's Strategic Growth Plan will invest \$35 billion over the next 10 years to strengthen the flood management system, and provide safe and reliable water supplies for Californians.

The plan is a sustained investment approach. For the first time, the state will match an investment strategy with specific plans for water quality, water supply and flood protection improvements. Those specific plans are outlined in the Flood White Paper, which the Governor issued on January 10, 2005, and the California Water Plan Update.



Governor's Proposed FY 2006-07 Budget Highlights for Water and Flood Management

- **\$17 million** increase for better flood management, levees, emergency response, and floodplain maps.
- **\$31 million** for Central Valley flood control projects
- **\$5 million** over three years for San Joaquin River restoration activities.
- **\$84 million** to continue lining the Coachella and All-American Canals. These projects will save approximately 100,000 acre-feet of water per year, enough water to supply a city the size of Sacramento.
- **\$210 million** in general fund, special funds and bonds for CALFED program elements including ecosystem restoration, water use efficiency, watershed management, drinking water quality and levees.

Flood Protection and Clean, Safe and Reliable Water Supply Bond and Financing Acts of 2006 and 2010 Bond

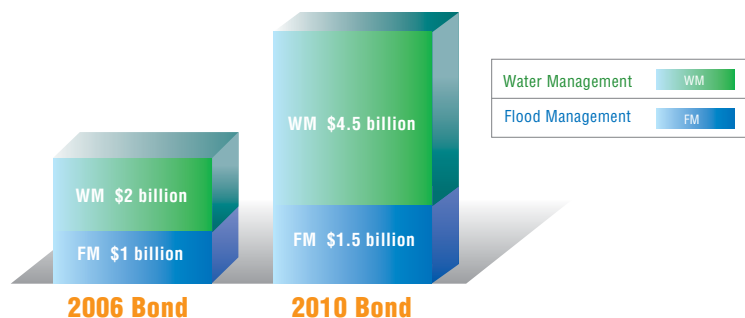
The bonds will provide \$2.5 billion for flood management - \$1 billion in 2006 and \$1.5 billion in 2010. Another \$3.5 billion will come from federal and local governments, for a total 10-year investment of \$6 billion to strengthen our levees and flood systems.

The bonds will also provide \$6.5 billion - \$2 billion in 2006 and \$4.5 billion in 2010 - for regional and statewide water management improvements. An additional \$22.5 billion will come from other state funds, and federal and local funds for a total 10-year investment of \$29 billion.

Water Resources Investment Fund

The Water Resources Investment Fund establishes a fee that will be collected from all water users. It will provide a stable and perpetual source of revenue to improve water quality and meet water supply needs.

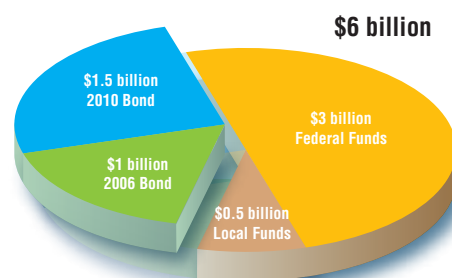
Over the next ten years, the Fund will generate about \$5 billion, two-thirds of which will be used directly for regional water programs. The remaining investments will go to statewide water improvements.



Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts of 2006 and 2010

Flood Protection

The proposed bonds will provide \$2.5 billion to pay for levee repairs and improvements, upgrade flood protection for urban areas, improve emergency response capabilities, and develop a new vision for the long-term protection of the Delta. Total investments, including federal and local funds will be \$6 billion.



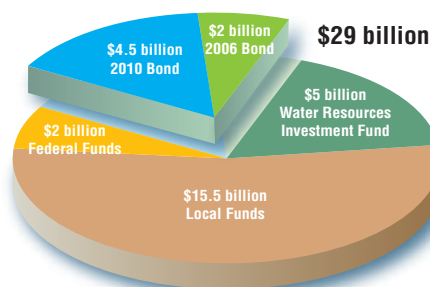
	2006	2010
Repair of State-Federal Project Levees and Facilities	\$210 million	\$300 million
Flood Control and Levee System Improvements	\$200 million	\$200 million
Delta Levee Subventions and Special Projects	\$210 million	\$700 million
Flood Control Subventions	\$250 million	\$200 million
Floodplain Mapping	\$90 million	\$0
Floodway Corridor Program	\$40 million	\$100 million
TOTAL	\$1 billion	\$1.5 billion

Key projects include:

- Remapping more than one million acres of Central Valley floodplains
- Repairing State-Federal Project Levees
- Initiating seismic strengthening of critical Delta levees
- Improving flood protection for urban areas
- Fully funding the backlog of the state's share for flood control projects outside of the Central Valley

Water Quality and Management

The bonds will provides \$6.5 billion to improve water management activities in all regions. The funds will be used for projects, including those described in the California Water Plan, that reduce water demand and increase water supplies, improve water quality and promote good stewardship of our natural resources. Total investments, including the Water Resources Investment Fund, and federal and local funds, will be \$29 billion.



	2006	2010
Regional Water Management Grants	\$1 billion	\$2 billion
Water Quality Improvements	\$250 million	\$500 million
State Support for Development of New Water Storage	\$250 million	\$1 billion
Water Resources/Quality Science and Technology	\$300 million	\$500 million
Resource Stewardship and Ecosystem Restoration	\$200 million	\$500 million
TOTAL	\$2 billion	\$4.5 billion

Key projects include:

- Financial support for integrated regional water management plans
- Funding for projects that benefit the water supply and water quality needs of disadvantaged communities
- Water quality improvements achieved with pollution prevention strategies and groundwater cleanup projects
- Development of groundwater storage and surface storage projects
- Advancements in desalination, water science and technology to address climate change impacts, energy issues associated with water, and environmental concerns

Governor Schwarzenegger's Record of Leadership on Flood Management Issues

Governor Schwarzenegger has provided strong leadership on flood management issues – recognizing the need to invest more in our flood systems, levees, emergency response capabilities and disaster preparedness to better protect lives and property.

- In response to the first major flood emergency of his Administration at Jones Tract in the Delta in June 2004, the Governor committed state resources to immediately repair the levee break, protect lives and property, and ensure the integrity of the water deliveries from the Delta to the Bay Area and southern California.
- On January 10, 2005, Governor Schwarzenegger issued a 'call to action' with the release of a comprehensive Flood White Paper. The report detailed many of the most serious challenges facing our existing flood control system and outlined a bold plan to make improvements.
- In his 2005-06 budget, the Governor increased the state's flood management budget by more than \$9 million, a 70 percent increase. Some of the benefits of this additional investment in levee maintenance and flood emergency response are being realized in the current flood fights.
- The Administration is sponsoring AB 1665 (Laird, D-Santa Cruz) to make essential reforms to the state's flood management system, including updated flood maps, better notice to residents about flood risks, and a comprehensive evaluation of the Central Valley levee system.
- Another Administration-sponsored measure, ACA 13 (Harman, R-Huntington Beach) is a proposed constitutional amendment to give local agencies greater ability to fund vital levee maintenance work.
- Last year, the Governor signed AB 1200 (Laird, D-Santa Cruz) that directs DWR and the Department of Fish and Game (DFG) to study island subsidence, floods, earthquakes in the Delta, and SB 264 (Machado, D-Linden) which extends the Delta Levee Subventions Program for two years. These are important steps to improve Delta flood control efforts.
- Under the Governor's leadership, the Department of Water Resources is taking the lead with the U.S. Army Corps of Engineers and DFG to complete the Delta Risk Management Strategy. This two-year, \$6 million effort will better quantify the risks associated with the Delta's fragile levee system and develop risk reduction strategies.
- Working with Senator Dianne Feinstein and Congressmen Richard Pombo and Dan Lungren, the Schwarzenegger Administration intensified efforts to obtain more funding for critical California levees, especially in the Delta and Central Valley. This effort produced \$40.9 million in federal funds to begin strengthening California levees and flood control systems.
- The Governor has proposed the Flood Protection and Clean, Safe, Reliable Water Supply Bond and Financing Acts of 2006 and 2010 to improve the state's flood management system.

Leadership and responsible planning are keys to protecting Californians from dangerous floods. Governor Schwarzenegger has been at the forefront of efforts to develop a comprehensive, well-funded and sustained flood management plan that will help ensure the continued vitality of our economy, the well-being of our communities, and more safety for our people.

Water Resources Investment Fund: A New Source of Funding for Water Management

As California grows, so does the need to invest in clean, safe, reliable water supplies to assure a vital economy, healthy environment, and high standard of living. Governor Schwarzenegger has proposed a Strategic Growth Plan to invest in water management activities in all regions of the state. The plan includes a new Water Resources Investment Fund, which will provide a stable and sustained source of revenue to improve water quality and meet water supply needs now and in the future.

Potential elements of a Water Resources Investment Fund:

- The Water Resources Investment Fund establishes a fee that will be collected from each retail water supplier in the state. The supplier will decide how to apportion the fee among its customers and will collect the fee.
- Provides a stable funding source for clean, reliable and safe water supplies. The funds will support water management activities described in the California Water Plan. A significant amount of the funds will pay for water quality improvements.
- Fifty percent of the funds collected in each region will be returned to those respective regions to plan and carry out integrated regional water management. Additional funds are reserved to match federal water quality grants, fund priority regional projects, and carry out emergency response to groundwater contamination. Through these programs, more than two-thirds of all funds collected will be used to fund regional water management projects.
- A designated entity, such as a reconfigured California Water Commission, will oversee distribution of funds and recommend any changes or improvements to the Fund and fee structure.
- The funds available to implement water management projects will increase over time as new connections are added.
- Regions will prepare integrated regional water management plans consistent with California Water Plan to meet their local needs, and fund their projects from their regional accounts.
- Remaining funds will pay for programs of statewide significance, including funding for the public trust benefits of new surface storage projects such as ecosystem restoration and flood control.

Regional Map for Bond and Water Resources Investment Fund Expenditures

CALIFORNIA HYDROLOGIC REGIONS



PROPOSED WATER FEE SCHEDULE BY WATER USER TYPE

Water User Type	Monthly Fee per Water Connection (prorate for different billing cycles)
Customers on lifeline billing	\$0.00
Single family connections	\$3.00
Multiple family connections	\$10.00
Commercial	\$5.00
Industrial	\$10.00
Agricultural; less than 9 acres	\$3.00
Agricultural; 9 to 180 acres	\$6.00
Agricultural; greater than 180 acres	\$10.00

This is the fee schedule used to calculate water suppliers' capacity charges. Local suppliers will decide how to apportion the fee to their residential, commercial and agricultural customers.